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March 20, 2014

Ms. Elizabeth M. Murphy  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-1090

Re: File No. S7-11-13  
Release No. 33-9497  
Proposed Rule: Proposed Rule Amendments for Small and Additional Issues  
Exemptions Under Section 3(b) of the Securities Act

Dear Ms. Murphy:

This letter is the response of BDO USA, LLP to your request for comments regarding the proposal referred to above.

We appreciate the difficulty of the Commission's task to strike an appropriate balance between protecting investors and encouraging capital formation. In this regard, we believe that companies and investors are best positioned to provide feedback on whether the proposal achieves an appropriate balance. However, we have a few comments for the Commission's consideration which primarily relate to the potential effects that the proposed auditing and other professional standards and auditor registration requirements might have on the offering process.

#### PCAOB Registration

As proposed, Tier 2 offerings require audited financial statements. Such financial statements must be audited in accordance with the auditing standards of the PCAOB as well as the PCAOB standards on auditor ethics, independence and quality control. However, the proposal does not require the auditor of such financial statements to be registered with the PCAOB. We are concerned that a reference to PCAOB audit standards in the audit opinion may cause some investors to infer that the audit firm is subject to PCAOB inspection and the other enhancements to audit quality that accompany PCAOB registration. We suggest that the Commission consider whether the final rules should contain provisions designed to prevent this potential misconception. One alternative would be to require audit firms of issuers conducting Tier 2 offerings to be registered with the PCAOB. While PCAOB registration would eliminate the misconception, it may have some potentially negative consequences on the offering process (such as delays and added costs resulting from the need for re-audits by a PCAOB-registered firm, or the need of the previously unregistered firm to register). A



second alternative that addresses the concern without adding costs would be to require disclosure of the audit firm's PCAOB registration status within the offering document and ongoing reporting documents.

#### Auditing and Other Professional Standards

Unlike Tier 2 offerings, audited financial statements are not required for Tier 1 offerings unless the issuer conducting the offering has already obtained an audit of its financial statements for other purposes and that audit was performed in accordance with either US GAAS or the auditing standards of the PCAOB. If these audited financial statements are available, they must be filed in the offering document. We do not perceive any significant differences between the procedures performed on or the costs associated with audits conducted in accordance with PCAOB auditing standards versus those conducted in accordance with US GAAS. While this is true for the auditing standards, we observe that differences between the independence standards of the AICPA and those of the SEC and PCAOB may warrant additional consideration by the Commission before finalizing the amended rules.

As proposed, both Tier 1 and Tier 2 offerings require auditor compliance with the SEC's independence standards. Assuming that Regulation A offerings are likely to be conducted by entities that are otherwise privately held, many of the historical audits of such entities are likely to have been conducted in accordance with US GAAS and the independence standards of the AICPA. Accordingly, there may be many cases in which the private company auditors have performed non-attest services that are permissible under the AICPA's independence standards but not under the SEC's independence standards. For example, under the AICPA independence standards, an auditor may assist an audit client with the preparation of the financial statements and footnotes or the calculation of the income tax provision and accrual. It is also permissible for an auditor to provide tax services to the executives of an audit client. Such services are commonly performed, so requiring compliance with SEC independence rules could require numerous re-audits in order to conduct Tier 2 offerings. Re-audits may add cost and delay the process to an extent that may be inconsistent with the objectives of the JOBS Act. Moreover, issuers in Tier 1 offerings with financial statements audited in accordance with US GAAS may be faced with the decision of having re-audits performed or providing unaudited financial statements. In this case, we question whether investors would be better served if the issuers were able to provide audit reports issued by auditors who complied with the AICPA's independence standards.

#### Offerings by Non-U.S. Companies

The Commission has asked for input regarding whether Canadian and other foreign companies should be permitted to conduct offerings in accordance with the amended rules. As outlined in the proposing release, it appears that the Commission has proposed to prohibit non-Canadian foreign entities from conducting offerings using Regulation A because the JOBS Act was intended to increase jobs domestically. While this seems logical, we observe that any foreign company that otherwise qualifies may conduct a registered offering as an emerging growth company. Accordingly, we recommend that the Commission consider the rationale for the inconsistency and whether it is



appropriate to treat non-Canadian foreign companies differently, depending on whether they are conducting a Regulation A offering or a registered offering.

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We appreciate this opportunity to express our views to the Commission. We would be pleased to answer any questions the Commission or its staff might have about our comments. Please contact Wendy Hambleton, National Director - SEC Practice, at [REDACTED] or via email at [REDACTED], or Christopher Smith, Accounting and Audit Professional Practice Leader, at [REDACTED] or via email at [REDACTED].

Very truly yours,

BDO USA, LLP